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April 16, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, NSTAR Gas Company, Pension/PBOP Adjustment Mechanism Tariff Filing

Dear Secretary Cottrell:

Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company (together, "NSTAR" or the "Company") hereby submit for approval the following tariffs designed to establish a reconciliation adjustment mechanism to provide for the recovery of costs associated with the Company's obligations to provide its employees pension benefits and post-retirement benefits other than pensions ("PBOPs"):

Boston Edison Company – M.D.T.E. No. 109, Pension/PBOP Adjustment Mechanism

Cambridge Electric Light Company – M.D.T.E. No. 209, Pension/PBOP Adjustment Mechanism

Commonwealth Electric Company – M.D.T.E. No. 309, Pension/PBOP Adjustment Mechanism

NSTAR Gas Company – M.D.T.E. No. 406, Pension/PBOP Adjustment Mechanism

Also enclosed is the filing fee of $60 for the four tariffs.

The Company's proposal is intended to give effect to the accounting treatment approved by the Department of Telecommunications and Energy (the "Department") in Approved Request For Accounting Ruling, D.T.E. 02-78 (2002), through a reconciling ratemaking mechanism that will provide rate stability and ensure that customers pay no more and no less than the amounts needed to extend pension and PBOP benefits to the Company's employees. In addition, this mechanism will ensure that the financial integrity of the Company is not impaired by financial reporting requirements and cash-flow issues that arise from the extreme volatility of pension and PBOP funding obligations. As indicated in the Company's November 27, 2002 letter requesting an accounting ruling in D.T.E. 02-78, the reconciliation of expenses booked in accordance with the requirements of the Financial Accounting Standards Board ("FASB"), and the amount recovered from customers in rates, will ensure that customers pay only the necessary costs associated with the Company's pension and PBOP obligations. According to the Company's auditors, this filing is required in order to avoid a charge against equity and negative earnings impacts. These financial consequences would negatively affect the Company's financial status, and consequently, have an unnecessary negative effect on customers.

In support of the proposed tariffs, the Company has enclosed the prefiled testimony of James J. Judge, Senior Vice President, Treasurer and Chief Financial Officer of NSTAR. As described in Mr. Judge's testimony, the Department has historically permitted the recovery of prudently incurred expenditures relating to pension and PBOP benefits for NSTAR employees. The Company consistently contributes to trust funds that hold and invest the contributions until benefits are paid. FASB accounting rules prescribe how companies must book expenses, assets and liabilities associated with pension and PBOP obligations. However, financial market performance affects both the projected earnings of the trust funds and the discount (interest) rate used to calculate the net present value of the future stream of payments made to or on behalf of retirees. The volatility of the financial markets, therefore, affects how companies are required to account for the funding position for financial reporting purposes.

The decline in financial markets caused the Company to file for an accounting ruling last November in order to avoid an unnecessary and significant year-end charge to common equity that would have resulted from the application of the accounting rules. This charge, and the resulting negative impact on the Company and its customers, was avoided by the Department's granting of the requested deferrals. <u>See</u>, D.T.E. 02-78. As indicated in that request, the Company requires subsequent approval by the Department of a ratemaking mechanism that involves a methodology for reconciling and recovering costs associated with pension and PBOP obligations over the long term. This tariff filing is the Company's proposal to establish that mechanism.

In order to resolve this matter in a timely manner, the Company respectfully requests an expedited review process so that the Department may render a decision no later than August 1, 2003.

If you have any questions on this matter, please contact me or Robert N. Werlin or at (617) 951-1400.

Thank you for your attention to this matter.

Sincerely,

Robert J. Keegan

Enclosures

cc: Ronald LeComte, Director, Electric Power Division
Kevin Brannelly, Director, Rates and Revenue Requirements Division
Paul Afonso, General Counsel
Joseph Rogers, Assistant Attorney General
David O'Connor, Commissioner